

APPENDIX C

CWIP Processing Flow and Responsibilities

The following steps list the process flow and associated responsibilities of the CWIP stakeholders in the processing of CWIP costs. The steps are categorized into the three major phases of the process: CWIP Activity Planning Phase; Actions Taken During the Actual Construction Work-In-Progress of the CWIP Activity Phase, and Completing the CWIP Activity Phase. In addition, Section IV provides detailed guidance on preparation of the CWIP reconciliations.

I. Activity Planning Phase

1. The establishment of a CWIP Activity is the responsibility of the FMC and Line Office(LO)/Staff Office managers. Once established, a CWIP Activity Manager is appointed to the activity and she/he, working through the NFA Budget Execution Office, will establish a unique CWIP project code and a documentation file.
2. The CWIP Activity Manager will provide the NFA Budget Execution Office with information on the CWIP Activity (manager's name, address, project title, estimated costs, etc.) as required on the CWIP project number request form. The NFA Budget Execution Office will enter the activity information into an internally established and maintained database (CWIP Activity List). NFA Budget Execution will provide this information to Real Property, Personal Property and NFA Finance.
3. The FMC MB will plan the CWIP Activity in a manner similar to other directly funded activities using CAMS Budget Operating Plans (FM066 screen).
4. Any CWIP project funded jointly by NOAA and one or more agencies should have a Memorandum Of Understanding (MOU), clearly defining ownership of the asset and at what point the asset will be capitalized.

II. Actions Taken During the Actual Construction Work-In-Progress of the Activity Phase

4. The CWIP Activity Manager will capture all costs (capital and expense) and maintain the required file documentation until the activity is completed. The amount of costs relating to the CWIP activity is recorded and reported by Finance in a manner similar to any other obligated data in CAMS.
5. CWIP Activity Manager or designate will perform independent verification of balances on the CWIP report quarterly (see Section IV below).
6. The cost data will also be reflected on the CAMS CWIP report (CA500D). The

data will remain on this report until the construction cost is fully capitalized and both the undelivered orders and the uncapitalized costs are reduced to zero. Finance must ensure that the total of the “Uncapitalized Cost” on the CA500D agrees with the corresponding General Ledger CWIP account balance.

III. *Completing the Activity Phase*

7. The Activity Manager will notify the NOAA Budget Office if the activity’s completion date, or estimated total cost has changed.
8. Approximately 30 days prior to acceptance or beneficial occupancy of the completed CWIP activity, the CWIP Activity Manager will review the CA500D to verify the completeness and validity of the activity’s costs, by project code, accrued on that Report. The activity’s manager will complete and submit summary level transfers to Finance for all non-capital expenses, and other adjustments, as necessary (see Appendix F).
9. The CWIP Activity Manager will complete the final NF 37-6 within 30 days after acceptance/beneficial occupancy of the activity. The activity manager will send the completed original of the NF 37-6, to the appropriate Real or Personal Property Office, together with the file containing all documentation to support the costs summarized on the form. See suggested “Minimum Standards” for file format below:
 - File type should be an expandable file that will accommodate the expected increase of documentation as the Activity Manager moves through the project.
 - There should be a separate tab reflected for every stage of the project (e.g. Line Office, City & St, (Project Type), Project stage). See following examples below for tab labeling suggestions (including some examples of documentation type that could be found in the respective section). The following example may be revised in order to accommodate the supporting documentation that would be more appropriate for the respective project type:
 - Tab #1: ***“NMFS, Norfolk, VA, (HVAC)
Project Close-out”***

Documentation Example:
 - Completed 37-6 Form
 - CWIP spreadsheet or planning documentation as a cost and documentation checklist
 - CD - 509

- Any other close-out or project summary forms
- Tab #2: ***“NMFS, Norfolk, VA, (HVAC)
Funds Document”***

Documentation Example:
 - Memorandum For Record
- Tab #3: ***“NMFS, Norfolk, VA, (HVAC)
A/E Task Orders/Invoices”***

Documentation Example:
 - Statement Of Work
 - Invoices
- Tab #4: ***“NMFS, Norfolk, VA, (HVAC)
Construction Contract”***

Documentation Example:
 - Form1442 - Solicitation Offer And Award
- Tab #5: ***“NMFS, Norfolk, VA, (HVAC)
Construction Contract - Mods/Invoices”***

Documentation Example:
 - Standard Form 30 - Amendment of
Solicitation/Modification of Contract
- Tab #6: ***“NMFS, Norfolk, VA, (HVAC)
Travel Vouchers”***
- Tab #7: ***“NMFS, Norfolk, VA, (HVAC)
Labor Costs”***
- Tab #8: ***“NMFS, Norfolk, VA, (HVAC)
Construction Mgmt. Svcs. - Contract/Invoices”***
- Tab #9: ***“NMFS, Norfolk, VA, (HVAC)
Trans. Costs/Duplication/Storage/GFE/Materials”***

10. The Property Office staff will review the NF 37-6, and related file documentation, for completeness and accuracy. Incomplete files will be returned, along with the NF37-6, to the CWIP Activity Manager for correction. If all information is complete in the file, the Property Office will annotate the NF37-6 to indicate data

entry to the appropriate property system. After the NF37-6 has been reviewed and cleared at the appropriate Property Office, that Office will send the signed NF37-6 to Finance.

11. When Finance receives the certified NF 37-6 from the Property Office, Finance will review it for clerical accuracy and valid project codes. Finance will also “cross walk”, by project code, the accrued costs stated on the form to the CA500D. If insufficient costs exist on the CA500D, Finance will notify the activity manager that cost adjustments are necessary.
12. After Finance has approved the accuracy of the NF37-6, they will enter the costs from the NF37-6 by project code in the Capitalized Cost column of the CA500D. Finance will then prepare a General Ledger journal voucher to move the capitalized costs out of the CWIP General Ledger Account and into the appropriate General Ledger Property account.
13. Finance will then send an e-mail notification to the activity manager, the appropriate property officer, and Budget Execution Office advising them that the costs stated on the NF 37-6 have been applied to the CA500D and properly posted to the General Ledger.

IV. CWIP Reconciliation Process

CWIP Activity Managers must exercise keen financial oversight of their CWIP activities because NOAA’s CWIP balance is a focal point of the annual audit of NOAA’s financial statements. This is because CWIP comprises approximately one third of NOAA’s total assets and nearly 50% of NOAA’s total property, plant, and equipment. In recent years, the value of CWIP on NOAA’s Balance Sheet is approaching \$2 billion.

CAMS CWIP Report (CA500D)

Reliable and valid CWIP balances can only be achieved if they are regularly monitored and reconciled to NOAA’s subsidiary record for CWIP -- the CAMS’ *CWIP Report (CA500D)*. The responsibility for this vigilance lies with each CWIP Activity Manager over their respective CWIP activities.

The CWIP balance reported on NOAA’s financial statements is the **UNCAPITALIZED COST** column on the CA500D, plus or minus on top adjustments at the end of the reporting period. Therefore, verification of the **UNCAPITALIZED COST** column is the objective and focus of the CWIP Reconciliation performed by the CWIP Activity Managers or their designate. The **UNCAPITALIZED COSTS**, on the CA500D, are computed as the Cost column minus, the Capitalized Cost column.

The “Undelivered Orders” (UDO’s) column on the CA500D must be excluded when calculating

the uncapitalized costs because they represent goods and services that have not been delivered (received) and therefore they do not meet the criteria for being reported on the balance sheet as an asset.

The **CAPITALIZED COST** column on the CA500D is adjusted when Finance posts a Report of Completed Construction Work-In-Progress (NF 37-6) to the CA500D. The NF37-6 is received in Finance after being cleared at the appropriate Personal or Real Property Office.

Reconciliation Template

A CWIP reconciliation template exists to help project managers validate the Uncapitalized Cost balances reported for their activities on the CA500D. The template and its instructions can be downloaded at: http://www.ofa.noaa.gov/~finance/financial_policy.htm

NOAA Form NF37-6 Preparation and Close Out

Before a CWIP Activity Manager submits an NF37-6 (to the appropriate Personal or Real Property office), they must ensure that the costs, stated thereon, cross walk to the **Accrued Cost column** on the latest CA500D. If those costs don't cross walk, a brief explanation **MUST** accompany the NF37-6 explaining the difference (e.g. cost adjustment or vendor invoices in transit, contract costs in dispute, or a major additional series/phases of development is forth coming.)

Residual Costs and Undelivered Orders After Project Completion

If there are residual Undelivered Orders (UDO's) remaining after completion/acceptance of the constructed asset, they must be applied to the final cost of the project (via the NF37-6); if they reflect goods and services that will be received within 90 days of the asset's official acceptance/occupancy date. If they are received after 90 days of completion/acceptance, an additional revised NF37-6 must be prepared to reflect those subsequent events.

If after 90 days the residual Costs are deemed not needed and no additional phases/series of the project are to be developed, they must be adjusted out of the Cost column of the CWIP Report via a Summary Level Transfer so that they equal the Capitalized Costs on the submitted NF37-6.

If after 90 days the UDO's are deemed not needed and no additional phases/series of the project are to be developed, the UDO's balance must be zeroed out of the CWIP Report (cancelled) via a Summary Level Transfer.

If a project code on the CWIP Report has a balance remaining in UDO's after the NF37-6 is submitted, the lines of code related to this task will not be purged from the CWIP Report. Additionally, until the purge occurs, the activity manager is required to submit quarterly CWIP reconciliations to Finance, even though the project is completed.

The same holds true for costs not equal to the Capitalized Costs (as reported on the NF37-6), i.e.

until costs equal Capitalized Costs the project code will not purge from the CWIP Report and consequently, the activity manager is required to submit a quarterly CWIP reconciliation to Finance even though the project activity has been completed.

If it is subsequently determined that a balance other than \$0 in the Uncapitalized Cost column is due to incorrect costs reported on the NF37-6, a revised NF37-6 must be submitted to Finance via the appropriate Property Office.

Frequency of CWIP Reconciliations:

Beginning in FY 2003, each project manager must submit quarterly CWIP Reconciliations using the template (referred to above), to Finance in compliance with OMB's quarterly Financial Statement Reporting Requirements. Once the CWIP activity manager completes the quarterly CWIP reconciliation for each project code, the reconciliation must be forwarded to the CFO/M&B budget chief for signature approval. The CFO/M&B is responsible for forwarding the signed CWIP reconciliation to the financial statement branch in Germantown. Completed CWIP activities should be reported on the NF37-6 in the calendar quarter in which they are accepted, (delivered or occupied, as appropriate).

CWIP Activity Managers are required to correct the CA 500D CWIP Report before the end of the following fiscal quarter for "Reconciling Adjustments" identified on their quarterly CWIP Reconciliation Templates. The CA 500D Report functions as NOAA's official subsidiary ledger for CWIP costs. When that report goes uncorrected, it creates a control weakness over the completeness and reliability of the CWIP costs that are reported on NOAA's financial statements. Therefore, any differences cited in columns G, and H, of the CWIP Reconciliation Template must be posted, as corrected, to the CA500D Report by the last business day of the quarter following their initial declaration on the CWIP Reconciliation Template (as a reconciling item). See: CWIP Reconciliation Template Revised for FY 2003 & Instructions for Completing the CWIP Reconciliation Spreadsheet at http://www.ofa.noaa.gov/finance/financial_policy.htm

As an example, if an adjusting item is identified on the CWIP Reconciliation Template, in the first quarter of the fiscal year, it must appear on the CA500D Report as corrected before the end of the second quarter of that same fiscal year; and so on.

The activity manager should submit the adjustment to their servicing ASC (or NFA Financial Statements Branch (FSB) if a revised NF37-6) well in advance of the end of the following quarter. This should be done no later than three weeks before the CAMS processing window closes in the following quarter to allow adequate time for the adjustments to be processed.